



Tennessee State Board of Accountancy  
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MINUTES

TENNESSEE STATE BOARD OF ACCOUNTANCY MEETING

August 27, 2002

The meeting of the Tennessee State Board of Accountancy convened in the Davy Crockett Tower, Nashville, Tennessee on August 27, 2002, at 8:00 am.

Members present were L. Dan Johnson, Chairman; David Curbo, Vice-Chairman; Micheal Vaughn, Secretary; Mark King, Charles Frasier, Deborah Henderson, Bill Dunavant, Mickey Ison, Mark Layne, and Maxie Patton.

Also present were Darrel Tongate, Executive Director; M. Connaught O'Connor, Staff Counsel; Leona Holston, Administrative Assistant; Linda Biek, Investigator; Dan Syriac, Administrative Manager and Brad Floyd, Executive Director of the TSCPA.

Dan Johnson called the meeting to order at 8:12am. Darrel presented Dan Johnson with a plaque for his six years of service on the Board. Dan Johnson announced that Grady Williams would not be in attendance at today's Board Meeting.

Mr. Johnson asked for a motion to approve the minutes from the June 17, 2002, Board meeting. David Curbo motioned to approve the minutes for the June Board meeting. Mark King seconded the motion; it was voted on and passed. Charles Frasier will sign as Secretary for the June Meeting as Micheal Vaughn was absent from the June Meeting. David Curbo will sign as Chair as Dan Johnson was absent from the June Meeting.

Mr. Johnson asked for a motion to elect new officers of the Board. Mickey Ison motioned to re-elect the same officers. Maxie Patton seconded the motion; it was voted and approved.

Darrel Tongate presented the Executive Director's Report: (see attached report)

- 1) Darrel announced the 2003 tentative Board Meeting dates, to be voted on at the November Meeting.  
March 20<sup>th</sup> or 26<sup>th</sup> & 27<sup>th</sup>  
June 20<sup>th</sup> or 23<sup>rd</sup> (The TSCPA Conference is in July)  
August 25<sup>th</sup>  
November 14<sup>th</sup>
- 2) NASBA Annual Meeting October 6-9. Dan Johnson, David Curbo and Darrel Tongate are attending. NASBA is paying for Mark King (travel, hotel & conference) to attend, and will pay for four more Board Members to attend.
- 3) The May Exam stats are attached.
- 4) Nebraska has asked for a NASBA by laws change.
- 5) Veterans can ask for reimbursement for the CPA examination fee.
- 6) Exam grades were mailed on August 5, 2002. August 6 the grades were available to view at the Board office, 29 individuals came to the Board office to view their grades.
- 7) There will be 63 seat spots in six (6) different cities to take the CPA computer exam. (Short discussion took place.)

- 8) Dan Johnson needs to be voted as our representative at the NASBA Meeting. Micheal Vaughn motioned to elect Dan Johnson as the Board Representative. David Curbo seconded the motion; it was voted and approved.
- 9) SEC response will be e-mailed to Board Members on Wednesday.
- 10) Do you all want copies of the CBT report?
- 11) We are still waiting for Ethics Committee Report of the Proposed Ethics changes being worked on by NASBA.
- 12) NASBA Board Meeting minutes are available.
- 13) Enron/Anderson update from Connaught.
- 14) The rule regarding grade review, consider dropping it. In forty (40) years there has been NO grade changed.
- 15) Rule changes regarding the exam may be needed.
- 16) Focus questions review and discussion. Micheal Vaughn requested a change in #2 to remove "planning to add" and put in "considering." Attached results of the Quick Poll regarding Retention of Work Papers. 62-1-115(C) says we do not require work papers to be kept. Darrel and Connaught will look up the referenced statute regarding retention. David Curbo motioned to accept Focus Questions as amended. Mark Layne seconded the motion; it was voted on and passed.
- 17) Reciprocity with Mexico is coming soon.
- 18) Darrel recommended Lamar Harris for the NASBA Exam Committee.
- 19) CBT site visitation procedures are attached. These have been agreed to by NASBA, the AICPA and Prometric.
- 20) Request from RAC for a firm registration back dated. The Board agreed NO backdate can be allowed. They can file now and pay to get registered if they qualify. We do not have regulation over the sovereign lands of the Indian Tribe Lands.
- 21) NASBA has increased their dues to help cover Board Travel. Some other State Boards are complaining.

Connaught O'Connor presented the Attorney's Report/Probable Cause Committee report (copy attached). Some changes were made to the report in the Committee meeting. New Case #22 – Send to Investigations and get complainant response. New Case #23 – Dismiss. New Case #25 – Send to Investigations and get complainant response. New Case #26 – Close. New Case #47 (unnumbered on report) Other states actions: Texas has revoked their license. Georgia has revoked also. What does this Board want to do? Dan Johnson commented that we have the authority to revoke because they have been convicted of a felony. Our Board would have a Formal Hearing regarding the three (3) firm permits. They have already sent in letters to close their Tennessee offices. Charles Frasier asked if we can suspend their license before the appeals period is over. Connaught commented that if we waited, it would make it harder to take action later. Micheal Vaughn commented that the Board would be remiss NOT to take action at this time. Bill Dunavant motioned to revoke the firms' license. Micheal Vaughn seconded the motion; it was voted on and approved. David Curbo motioned to approve the report as amended. Deborah Henderson seconded the motion; it was voted on and approved.

**David Curbo made a proposal that we divide Cease & Desist Action into:**

- 1) **Cease & Desist Letter – Sent by the Staff per guidelines**
  - a. **Not a disciplinary action.**
  - b. **Not posted on web page.**
  - c. **Respondent may accept without admitting to any violation.**
  - d. **Primary use when advertising as an accountant in non-purchased venues.**
- 2) **Cease & Desist Order – Sent by Attorney**
  - a. **Disciplinary action.**
  - b. **Posted on web page.**
  - c. **Acceptance includes admission to violation of one or more Standards.**

**Mr. Curbo made a motion that the Board authorize the staff to send Cease & Desist Letters per the guidelines in item #6 of the Settlement Guidelines for Disciplinary Cases as updated above on August 27, 2002. This action is not considered a disciplinary action and will not be posted on the TSBA web page. Micheal Vaughn seconded this motion; it was voted on and approved.**

Mr. Curbo also proposed the Board approve the Settlement Guidelines with the following amendments:

- A. Delete the word “Proposed” from the title.
- B. In Item #6, delete “/Instruction.”
- C. In item #6, add “(Not a disciplinary action).”
- D. In the sentence after number eight, delete “downward” and “mitigating.”
- E. After #7. Illness, add “#8. Other.”

**Micheal Vaughn seconded the motion; it was voted on and approved.**

In addition, Mr. Curbo made a motion for all cease & desist actions on the website as a Cease & Desist Letter under these new guidelines be deleted. Micheal Vaughn seconded the motion; it was voted on and approved.

Darrel Tongate requested volunteers to proctor the November CPA Examination:

November 6<sup>th</sup> Knoxville: Mark King

Memphis: Mickey Ison and Deborah Henderson

Nashville: Charles Frasier

November 7<sup>th</sup> Knoxville: Mark King

Memphis: Mark Layne and David Curbo

Nashville: Micheal Vaughn

BREAK

Charles Frasier presented the CPE Committee Report. Mr. Frasier reported the following nine CPE items and the committee's decisions.

- 1) A church management system to be approved as CPE – Denied.
- 2) CPA was audited and one CPE sponsor was not approved. This CPA has since gone Inactive –Approved
- 3) Request for 30 hours of CPE for passing a software certification exam (CISSA) – Approved.
- 4) Three (3) temporary notifications issued by Tennessee. Committee wants clarification of when a firm needs a firm permit & when a firm just needs to file notification. See 62-1-113(a) & 62-1-117(a) (1).
- 5) TSCPA internet company, CPA Directory, gives 500 free CPE hours to CPA's that apply and get approved for their company credit card. WiseGuides does the CPE courses. The Committee wants to look into this more.
- 6) Request for CPE credit for 2 law school courses– Approved as non-technical CPE.
- 7) Two requests where the CPA failed to change his/her address plus did not have enough CPE, now they want to go to Inactive Status to avoid penalties. – The committee decided to assess the penalties.
- 8) Licensee requested CPE credit for a 4-day General Revenue Corp. seminar that was NOT NASBA registered – Committee approved for 11-hours of CPE.
- 9) The Nashville Chapter of FEI Organization requested to be approved as an Exempt CPE Sponsor – Committee approved.

Charles Frasier motioned the Board approve the CPE Committee Report. David Curbo seconded the motion; it was voted on and approved.

Mr. Frasier motioned to approve the issuance of 25 new CPA certificates and 53 reciprocal CPA certificates whose experience and other qualifications had been approved by the Board's staff. David Curbo seconded the motion; it was voted on and passed.

Micheal Vaughn presented the Peer Review Committee Report. He reported that 508 firms are due peer reviews in 2002. Of those, 381 are scheduled, complete or exempt and 123 have not responded yet. **Micheal Vaughn made a motion to accept the following Peer Review Exemption Policy: “Firms that have not issued any attest reports dated during the firm’s review year shall submit the previous year’s reports for review, if any, to be in compliance with the Peer Review requirement. If no reports are available the firm must agree in writing with the Peer Review**

**Committee to obtain a pre-issuance review, by a reviewer approved by the Board, on their next attest report and have the reviewer send a letter of the findings to the Board before the firm issues the report to the client. The firm must also agree to obtain their peer review at the end of the first calendar year, in which a report is issued."** The exemption procedure requires the attached letter to be signed and notarized and returned to the Peer Review Committee for approval. **David Curbo seconded the motion; it was voted on and approved. Micheal Vaughn also motioned to amend the Experience Policy for the firm application to add "within the last 10-years."** **David Curbo seconded the motion; it was voted on and approved.** The committee approved nine letters for exemption from peer review.

#### Old Business:

##### CPA Examination Report – CPA Exam Conditioning:

Charles Frasier reported to the Board that we have received a request from two CPA's that passed three (3) parts of the CPA Exam, made a 48 on the 4<sup>th</sup> part and they want to be able to keep the parts they passed. Connaught informed the Board that the policy to keep the exam conditioning was okay up to April 17, 2002 when the new law was signed into effect. The Candidate applied for the exam under the old law, but took the exam after the new law went into effect. Connaught wants to look into this to see what law the candidate is held to. The Board discussed creating a new rule to keep the conditioning, giving a date to cut off at the time of the CBT. An emergency rule could be passed within three (3) months. The Board decided to have a tele-conference when Connaught comes to a legal decision.

#### New Business:

Darrel proposed the following rule changes: (see attached)

1. 0020-1-.04(h) modify to say "\$50 per year."
2. 0020-1-.04(i) "Late address change fee \$25."
3. 0020-1-.06 delete first sentence in item number two.
4. ~~0020-1-.06(3) delete third sentence regarding grade review.~~

The Board voted to delete rule proposal #4.

5. 0020-1-.08 (4) add ", when requested."
6. 0020-1-.10 (1) change may to "must." And add ", and who wishes to be reinstated."
7. ~~0020-1-.11 add an item (5), Internet practice rules.~~

The Board voted to delete rule proposal #7.

8. 0020-1-.13 add an item (e), notification and fee (see attached). David Curbo asked if our law provides for the Board to be able to set fees, then could we take all fees out of the Rules saying "Fees are set by Board Policy" and set Policy in place for each fee. Connaught O'Connor will research this and it will be discussed at the next Board Meeting.

9. ~~0020-2-.02 (1), (2) & (3) change the 24 accounting and 24 business hours back to 30 accounting and 30 business.~~

The Board voted to delete rule proposal #9.

10. 0020-2-.02(3) (i) and (vii) delete (i) Computers and change (viii) to Technology/Information Systems.
11. 0020-2-.03(d) change to meet the new experience policy. After the words "shall meet" delete the balance of the sentence and add "professional competencies and shall have no less than two years experience in the preparation of financial statements or reports on financial statements."

The Board voted to amend the rule proposal #11 by adding "satisfactory to the Board" after the word experience.

12. 0020-3-.03 (2)(c) add ", which are not to exceed 5% of their net worth."
13. 0020-3-.03 add a (4) "A certificate holder, licensee or registration holder in the performance of professional services, including those who are not members of the AICPA, shall conform in fact and in appearance to the independence standards established by the Board and the AICPA, and, where applicable, the United States Securities and Exchange Commission, the General Accounting Office and other regulatory or professional standard setting bodies."

The Board voted to amend rule proposal #13 by deleting "in fact and in appearance."

14. 0020-3-.11 add a 2) "A licensee shall maintain for a period of four years copies or other obtainable facsimile records or work papers or work product used to render or support rendering public accounting services to a client. Destruction of these records shall subject the firm to disciplinary action."

The Board voted to amend the rule proposal #14. The approved rule reads: "A firm or licensee shall maintain for a period of five years from the end of the physical period in which the engagement was concluded, copies or other obtainable facsimile records or work papers or work product used to render or support rendering public accounting services to a client. Premature destruction of these records shall subject the firm or licensee to disciplinary action."

15. 0020-5-.03 delete "computer science" from CPE rules.

16. 0020-5-.04 (4) add "NASBA/QAS." at the end of the sentence.

17. 0020-5-.06 (3) add "up to six months."

18. 0020-5-.07(1) add "up to six months."

19. 0020-6-.01(1) add "Board, the" in front of the word Tennessee.

20. 0020-6-.04(1) add 'after initial review, which must be completed by August 31, of the next calendar year following the initial firm permit. Date. "

21. 0020-6-.04 add (7) 'the Peer Review Program of the Board does not provide for reviews of Governmental Entities, Governmental Grant Recipients, Audits of Publicly Traded Companies, or Financial Institution Audits. Those reviews must be obtained through one of the other approved peer review programs."

22. 0020-6-.05(1) (b) add 'and completes a refresher review course every five years thereafter."

The Board Members requested that Charles Millsaps, of the Peer Review Sub-Committee attend the November Board meeting to answer any peer review questions of the Board.

The Board Members voted to accept the rules package as modified; the vote results were nine (9) yes votes and zero (0) no votes. The Board agreed to approve submission of the changes for a Rule Making Hearing to be scheduled for the November Board Meeting at 11:00 am.

There was a brief discussion on the request from Gary Parson for reinstatement. The Board voted and approved to have Mr. Parsons appear before the Board at the November Board Meeting.

There was a brief discussion regarding the nomination of John Peace to be on the SEC Oversight Board. This nomination would be a second to Arkansas' nomination. The Board voted and approved the nomination.

There was a discussion of the fiscal year end June 2004. A budget was voted on and approved by the Board to be forwarded to Commissioner Pope and Commissioner Neal for their approval. The Board unanimously adopted a resolution requesting Dan Johnson write Commissioner Pope and Commissioner Neal specifically requesting approval of the amended Accountancy Board Budget for fiscal year end June 2003 as submitted in May 2002 per T.C.A. 62-1-105(c). The Board adopted salary adjustments per memo's being sent to Assistant Commissioner Chivers by Dan Johnson.

There being no further business to come before the Board the meeting was adjourned.

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CHAIRMAN

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SECRETARY